What is claimed is:

1. An apparatus for providing link layer security in a Physical Layer Transceiver (PHY) comprising:

analog circuitry configured to transmit to, and receive data from, a data transmission medium;

digital circuitry coupled to said analog circuitry, said digital circuitry configured to transmit to, and receive from, a Media Access Controller (MAC); and

a crypto engine coupled to said digital circuitry.

- 2. The apparatus of claim 1, wherein said crypto engine and said PHY are disposed on the same physical chip.
- 3. The apparatus of claim 2, wherein said crypto engine uses preexisting hardware on said chip, said hardware pre-existing for the purpose of enabling the function of said PHY.
- 4. The apparatus of claim 2, wherein said apparatus is a component of a multi-PHY device.
- 5. The apparatus of claim 2, wherein said PHY communicates using a serial PHY media interface.

- 6. The apparatus of claim 3, wherein said pre-existing hardware is chosen from the group consisting of: said PHY's pin functionality, memory map, state machine, signals, signal buses and logic gates.
- 7. The apparatus of claim 2, wherein said crypto engine is further configured to perform a secondary function.
- 8. The apparatus of claim 7, wherein said secondary function comprises marking undesired data for dropping.
- 9. The apparatus of claim 2, wherein said MAC comprises an ASIC further configured as a switching fabric.
- 10. The apparatus of claim 9, wherein said apparatus is disposed within a router.
- 11. The apparatus of claim 10, wherein said crypto engine is further configured to manage data packet collisions.
- 12. A method of providing link layer security between a transmitting PHY and a receiving PHY, said method comprising:

receiving, by the transmitting PHY, data from a first MAC;

encrypting, by said transmitting PHY, said data, producing encrypted data;

transmitting, by said transmitting PHY, said encrypted data to said receiving PHY;

receiving, by said receiving PHY, said encrypted data; decrypting, by said receiving PHY, said encrypted data; and providing the de-crypted data to a second MAC.

- 13. The method of claim 12, further comprising the acts of: storing, by said transmitting PHY, said encrypted data; determining whether a packet collision has occurred; and if a collision has occurred, then re-transmitting said stored encrypted data.
- 14. A program storage device readable by a machine, tangibly embodying a program of instructions executable by the machine to perform a method, the method comprising:

receiving, by the transmitting PHY, data from a first MAC;
encrypting, by said transmitting PHY, said data, producing encrypted data;

transmitting, by said transmitting PHY, said encrypted data to said receiving PHY;

receiving, by said receiving PHY, said encrypted data; decrypting, by said receiving PHY, said encrypted data; and providing the de-crypted data to a second MAC.

15. The device of claim 14, wherein said method further comprises the acts of:

storing, by said transmitting PHY, said encrypted data;
determining whether a packet collision has occurred; and
if a collision has occurred, then re-transmitting said stored encrypted
data.

16. An apparatus for providing link layer security in a Physical Layer Transceiver (PHY) comprising:

means for receiving data from a first MAC;
means for encrypting said data, producing encrypted data;
means for transmitting said encrypted data to said receiving PHY;
means for receiving said encrypted data;
means for decrypting said encrypted data; and
means for providing the de-crypted data to a second MAC.

- 17. The apparatus of claim 16, further comprising:

 means for storing said encrypted data;

 means for determining whether a packet collision has occurred; and

 means for re-transmitting said stored encrypted data.
- 18. The apparatus of claim 17, wherein said crypto engine means is further configured to perform a secondary function.

- 19. The apparatus of claim 18, wherein said secondary function comprises data compression.
- 20. The apparatus of claim 16, wherein said MAC further comprises switching fabric means.